

**CONFIRMATION**

DATE: [Date]  
TO: [Party B]  
Telephone No: [number]  
Facsimile No: [number]  
Attention: [number]  
FROM: [Party A]  
SUBJECT: ABX [specify series, tranche and version, if any] Transaction  
REF NO: [ ]

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The purpose of this communication (this “Confirmation”) is to set forth the terms and conditions of the Master Transaction (as defined in the ABX Standard Terms (as defined below)) relating to residential mortgage-backed security reference obligations entered into on the Trade Date specified below between [Party A] (“Party A”) and [Party B] (“Party B”). This Confirmation constitutes a “Confirmation” as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions, as published by the International Swaps and Derivatives Association, Inc. (the “Credit Derivatives Definitions”), and the ABX Transactions Standard Terms Supplement, as published by CDS IndexCo LLC on [ ], 2005 (the “ABX Standard Terms”), are incorporated into this Confirmation. In the event of any inconsistency between the Credit Derivatives Definitions or the ABX Standard Terms and this Confirmation, this Confirmation will govern. In the event of any inconsistency between the ABX Standard Terms and the Credit Derivatives Definitions, the ABX Standard Terms will govern.

This Confirmation supplements, forms a part of and is subject to the [1992 ISDA Master Agreement (Multicurrency - Cross Border)][2002 ISDA Master Agreement] and the Schedule thereto, dated as of [\_\_\_\_], as amended and supplemented from time to time (the “Master Agreement”), between Party A and Party B. All provisions contained in, or incorporated by reference in, the Master Agreement shall govern this Confirmation except as expressly modified below.

The terms of the Master Transaction to which this Confirmation relates are as follows:

Index:	ABX [specify series, tranche, and version, if any]
Annex Date:	[launch date of Index]
Trade Date:	[ ]
Effective Date:	[Trade Date plus Three Business Days]
Scheduled Termination Date:	[the latest Legal Final Maturity Date of any Reference Obligation in the Relevant Annex]
Floating Rate Payer:	[ ] (the “Seller”)
Fixed Rate Payer:	[ ] (the “Buyer”)
Aggregate Floating Rate Payer Calculation Amount:	[ ]
Fixed Rate:	[ ]% per annum [specify the fixed rate for the Index]

Initial Payment Payer: published by the Index Publisher as of the launch date]  
[Buyer][Seller]  
Initial Payment Amount: [       ]  
[Additional Terms (if any): [       ]]<sup>1</sup>

**Notice and Account Details:**

Party A's Office/Telephone/Facsimile: [address]  
Telephone: [       ]  
Facsimile: [       ]

Party B's Office/Telephone/Facsimile: [address]  
Telephone: [       ]  
Facsimile: [       ]

Account Details of Party A: For the Account of: [       ]  
Bank: [       ]  
Account No: [       ]  
Fed ABA No: [       ]

Account Details of Party B: For the Account of: [       ]  
Bank: [       ]  
Account No: [       ]  
Fed ABA No: [       ]

Please confirm your agreement to be bound by the terms of the foregoing by executing a copy of this Confirmation and returning it to us at the contact information listed above.

[Party A]

[Party B]

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

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<sup>1</sup> If the parties wish to include an annex with a Confirmation instead of relying upon the Index Publisher Website, insert the following and attach Exhibit A to the Confirmation:

“Notwithstanding the ABX Standard Terms, the Relevant Annex shall be Exhibit A attached hereto, without regard to the annex published by the Index Publisher.”

[Relevant Annex

<u>Reference Entity</u>	<u>Reference Obligation</u>	<u>Issuer</u>	<u>Guarantor/ Insurer</u>	<u>CUSIP/ ISIN</u>	<u>Bloomberg ID</u>	<u>Legal Final Maturity Date</u>	<u>Original Principal Amount (USD)<sup>2</sup></u>	<u>Initial Factor<sup>3</sup></u>	<u>Initial Face Amount<sup>4</sup></u>	<u>Coupon</u>	<u>Reference Policy</u>

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<sup>2</sup> Insert the principal amount of the Reference Obligation on the day it was issued.

<sup>3</sup> A ratio equal to the Outstanding Principal Amount as of the Annex Date divided by the Original Principal Amount.

<sup>4</sup> The initial par amount of the Reference Obligation referenced for purposes of the Transaction, which amount could be equal to, greater than or less than the Original Principal Amount.

**ABX TRANSACTIONS  
STANDARD TERMS SUPPLEMENT**  
(published on [ ],2005)<sup>5</sup>

This ABX Transactions Standard Terms Supplement (the “ABX Standard Terms”) hereby incorporates by reference the definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions, as published by the International Swaps and Derivatives Association, Inc. (the “Credit Derivatives Definitions”). In the event of any inconsistency between the Credit Derivatives Definitions and these ABX Standard Terms, these ABX Standard Terms will govern.

The parties agree that, by entering into a transaction governed by these ABX Standard Terms (a “Master Transaction”), they have entered into a separate Credit Derivative Transaction (each, a “Component Transaction”) in respect of each Reference Obligation listed in the Relevant Annex (as defined below). Upon entering into a confirmation or other document (including in electronic form) (a “Confirmation”) for a Master Transaction incorporating these ABX Standard Terms, the parties thereto shall be deemed to have entered into a Confirmation in respect of each such Component Transaction with respect to the related Reference Obligation listed in the Relevant Annex. Subject to paragraph 7 below and except as otherwise expressly provided herein or in the relevant Confirmation, each Component Transaction constitutes an independent Transaction for purposes of the Master Agreement (as specified in the relevant Confirmation).

References in these ABX Standard Terms to a Reference Obligation and the terms relating thereto shall be to the terms of such Reference Obligation set out in the applicable Underlying Instruments (as defined below) as amended from time to time unless otherwise specified below.

The terms of each Component Transaction to which these ABX Standard Terms relate are as follows:

**1. General Terms:**

Index:	As shown in the relevant Confirmation.
Index Sponsor:	CDS IndexCo LLC
Trade Date:	As shown in the relevant Confirmation.
Effective Date:	As shown in the relevant Confirmation.
Scheduled Termination Date:	As shown in the relevant Confirmation.
Component Transaction Scheduled Termination Date:	With respect to a Component Transaction, the Legal Final Maturity Date for the applicable Reference Obligation, subject to adjustment in accordance with the Following Business Day Convention.

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<sup>5</sup> The definitions and provisions of this ABX Transactions Standard Terms Supplement may be incorporated into a Confirmation (as defined herein) by wording in the Confirmation indicating that, or the extent to which, the Confirmation is subject to this ABX Transactions Standard Terms Supplement. All definitions and provisions so incorporated in a Confirmation will be applicable to that Confirmation unless otherwise provided in that Confirmation.

Termination Date:	With respect to a Component Transaction, the last to occur of: <ul style="list-style-type: none"> <li>(a) the fifth Business Day following the Effective Maturity Date in respect of the relevant Reference Obligation;</li> <li>(b) the last Floating Rate Payer Payment Date in respect of such Reference Obligation; and</li> <li>(c) the last Additional Fixed Amount Payment Date in respect of such Reference Obligation.</li> </ul>
Floating Rate Payer:	As shown in the relevant Confirmation (the “Seller”).
Fixed Rate Payer:	As shown in the relevant Confirmation (the “Buyer”).
Aggregate Floating Rate Payer Calculation Amount:	As shown in the relevant Confirmation.
Calculation Agent:	If both parties are licensees of the Index, Seller. If only one party is a licensee of the Index, such party.
Calculation Agent City:	New York.
Business Day:	New York and London.
Business Day Convention:	Following (which, with the exception of the Effective Date, the Final Amortization Date, each Reference Obligation Payment Date and the period end date of each Reference Obligation Calculation Period, shall apply to any date referred to in these ABX Standard Terms that falls on a day that is not a Business Day).
Reference Entity:	With respect to a Component Transaction, the applicable Reference Entity contained in the Index and listed in the Relevant Annex, and any entity that succeeds to the obligations of such Reference Entity under the related Reference Obligation. Section 2.2 of the Credit Derivatives Definitions shall not apply.
Reference Obligation:	With respect to a Component Transaction, the Reference Obligation specified in the Index and set out opposite the applicable Reference Entity in the Relevant Annex. Section 2.30 of the Credit Derivatives Definitions shall not apply.  The Reference Obligation is used herein solely to make certain calculations hereunder and there is no requirement that Buyer or Seller own the Reference

Obligation.

Relevant Annex:	The list of Reference Entities and Reference Obligations for the relevant Index with the relevant Annex Date, as published by the Index Publisher (which can be accessed currently at <a href="http://www.markit.com">http://www.markit.com</a> ). “Index Publisher” means Markit Group Limited (or its successor) or any replacement therefor appointed by the Index Sponsor for purposes of officially publishing the relevant Index.
Applicable Percentage:	<p>On any day, with respect to a Reference Obligation, a percentage equal to A divided by B.</p> <p>“A” means, with respect to a Reference Obligation, the product of the Initial Face Amount and the Initial Factor.</p> <p>“B” means, with respect to a Reference Obligation, the product of the Original Principal Amount and the Initial Factor.</p> <p>(a) as increased by the outstanding principal balance of any further issues by the Reference Entity that are fungible with and form part of the same legal series as such Reference Obligation; and</p> <p>(b) as decreased by any cancellations of some or all of the Outstanding Principal Amount resulting from purchases of such Reference Obligation by or on behalf of the Reference Entity.</p>
Initial Face Amount:	The Aggregate Floating Rate Payer Calculation Amount divided by the number of Reference Obligations in the Relevant Annex.
Initial Factor:	With respect to a Reference Obligation, the applicable factor published by the Index Publisher as of the Annex Date.
Reference Obligation Notional Amount:	<p>With respect to a Reference Obligation, on the Annex Date, the product of:</p> <p>(a) the Original Principal Amount;</p> <p>(b) the Initial Factor; and</p> <p>(c) the Applicable Percentage.</p>

Following the Annex Date, the Reference Obligation Notional Amount with respect to a Reference Obligation will be:

- (i) decreased on each day on which a Principal Payment is made with respect to the Reference Obligation by the relevant Principal Payment Amount;
- (ii) decreased on each day on which a Failure to Pay Principal occurs with respect to the Reference Obligation by the relevant Principal Shortfall Amount;
- (iii) decreased on each day on which a Writedown occurs with respect to the Reference Obligation by the relevant Writedown Amount; and
- (iv) increased on each day on which a Writedown Reimbursement occurs with respect to the Reference Obligation by any Writedown Reimbursement Amount in respect of a Writedown Reimbursement within paragraphs (ii) or (iii) of the definition of “Writedown Reimbursement”;

provided that if the relevant Reference Obligation Notional Amount would be less than zero, it shall be deemed to be zero.

**Initial Payment:** If an Initial Payment Payer and an Initial Payment Amount are specified in the relevant Confirmation, then on the date that is five Business Days following the Trade Date, and with respect to the Master Transaction and all related Component Transactions in the aggregate, the Initial Payment Payer shall pay to the other party the Initial Payment Amount. For the avoidance of doubt, the Initial Payment will not be made separately in respect of each Component Transaction.

**Initial Payment Payer** As shown in the relevant Confirmation.

**Initial Payment Amount:** As shown in the relevant Confirmation.

**2. Fixed Payments:**

**Fixed Rate:** As shown in the relevant Confirmation.

**Fixed Rate Payer Period End** The first day of each related Reference Obligation

Date:	Calculation Period.
Fixed Rate Payer Calculation Period:	Each period from and including one Fixed Rate Payer Period End Date to but excluding the next following Fixed Rate Payer Period End Date, except that (a) the initial Fixed Rate Payer Calculation Period will commence on, and include, the later of the Annex Date and the Fixed Rate Payer Period End Date falling on or immediately prior to the Trade Date and (b) the Final Fixed Rate Payer Calculation Period will end on, but include, the last day of the last Reference Obligation Calculation Period immediately prior to the final Fixed Rate Payer Payment Date.
Fixed Rate Payer Payment Dates:	With respect to a Component Transaction, each day falling five Business Days after a Reference Obligation Payment Date for the Reference Obligation; provided that the final Fixed Rate Payer Payment Date shall fall on the fifth Business Day following the Effective Maturity Date of the Reference Obligation.
Fixed Amount:	<p>With respect to any Fixed Rate Payer Payment Date for a Component Transaction, an amount equal to the product of:</p> <ul style="list-style-type: none"> <li>(a) the relevant Fixed Rate;</li> <li>(b) an amount determined by the Calculation Agent equal to: <ul style="list-style-type: none"> <li>(i) the sum of the relevant Reference Obligation Notional Amount as at 5:00 p.m. in the Calculation Agent City on each day in the related Fixed Rate Payer Calculation Period; divided by</li> <li>(ii) the actual number of days in the related Fixed Rate Payer Calculation Period; and</li> </ul> </li> <li>(c) the actual number of days in the related Fixed Rate Payer Calculation Period divided by 360.</li> </ul> <p>Notwithstanding anything to the contrary herein, Buyer shall not be obligated to pay Fixed Amounts for any Fixed Rate Payer Payment Date occurring prior to the Effective Date.</p>
Additional Fixed Amount Payment Dates:	<p>With respect to a Reference Obligation:</p> <ul style="list-style-type: none"> <li>(a) Each relevant Fixed Rate Payer Payment Date;</li> </ul>



and

- (b) in relation to each relevant Additional Fixed Payment Event occurring after the second Business Day prior to the last relevant Fixed Rate Payer Payment Date, the fifth Business Day after Buyer has received notification from Seller or the Calculation Agent of the occurrence of such Additional Fixed Payment Event.

**Additional Fixed Payments:** Following the occurrence of an Additional Fixed Payment Event in respect of a Reference Obligation, Buyer shall pay the relevant Additional Fixed Amount to Seller on the first Additional Fixed Amount Payment Date for such Reference Obligation falling at least two Business Days (or in the case of an Additional Fixed Payment Event that occurs after the second Business Day prior to the last Fixed Rate Payer Payment Date for such Reference Obligation, the fifth Business Day) after the delivery of a notice by the Calculation Agent to the parties or by Seller to Buyer stating that the related Additional Fixed Amount is due and showing in reasonable detail how such Additional Fixed Amount was determined; provided that any such notice must be given on or prior to the fifth Business Day following the day that is one calendar year after the Effective Maturity Date of such Reference Obligation. Notwithstanding anything to the contrary herein, Buyer shall not be obligated to pay an Additional Fixed Amount unless the earliest day on which the related Additional Fixed Payment Date can be designated in accordance with the provisions hereof occurs on or following the Effective Date.

**Additional Fixed Payment Event:** The occurrence on or after the Annex Date and on or before the day that is one calendar year after the Effective Maturity Date of a Writedown Reimbursement, a Principal Shortfall Reimbursement or an Interest Shortfall Reimbursement in respect of a Reference Obligation.

**Additional Fixed Amount:** With respect to each Additional Fixed Amount Payment Date in respect of a Reference Obligation, an amount equal to the sum of:

- (a) the relevant Writedown Reimbursement Payment Amount (if any);
- (b) the relevant Principal Shortfall Reimbursement Payment Amount (if any);

and

- (c) the relevant Interest Shortfall Reimbursement Payment Amount (if any).

**3. Floating Payments:**

Floating Rate Payer Payment Dates:

In relation to a Floating Amount Event with respect to a Reference Obligation, the first relevant Fixed Rate Payer Payment Date falling at least two Business Days (or in the case of a Floating Amount Event that occurs on the Legal Final Maturity Date or the Final Amortization Date of such Reference Obligation, the fifth Business Day) after delivery of a notice by the Calculation Agent to the parties or a notice by Buyer to Seller that the related Floating Amount is due and showing in reasonable detail how such Floating Amount was determined; provided that in the case of a Floating Amount Event that occurs on the Legal Final Maturity Date or the Final Amortization Date of such Reference Obligation, such notice must be given on or prior to the fifth Business Day following such Legal Final Maturity Date or such Final Amortization Date, as applicable.

Floating Payments:

If a Floating Amount Event occurs with respect to a Reference Obligation, then on the relevant Floating Rate Payer Payment Date, Seller will pay the relevant Floating Amount to Buyer. Notwithstanding anything to the contrary herein, Seller shall not be obligated to pay a Floating Amount unless the earliest day on which the related Floating Rate Payer Payment Date can be designated in accordance with the provisions hereof occurs on or following the Effective Date. For the avoidance of doubt, the Conditions to Settlement under the Credit Derivatives Definitions shall not apply.

Floating Amount Event:

A Writedown, a Failure to Pay Principal or an Interest Shortfall.

Floating Amount:

With respect to each Floating Rate Payer Payment Date in respect of a Reference Obligation, an amount equal to the sum of:

- (a) the relevant Writedown Amount (if any);
- (b) the relevant Principal Shortfall Amount (if any); and
- (c) the relevant Interest Shortfall Payment Amount

(if any).

#### 4. Interest Shortfall

Interest Shortfall Payment Amount: In respect of an Interest Shortfall with respect to a Reference Obligation, the relevant Interest Shortfall Amount; provided that if the relevant Interest Shortfall Amount exceeds the Interest Shortfall Cap Amount, the Interest Shortfall Payment Amount in respect of such Interest Shortfall shall be the Interest Shortfall Cap Amount.

Interest Shortfall Cap Amount: As set out in the Interest Shortfall Cap Annex.

Actual Interest Amount: With respect to any Reference Obligation Payment Date in respect of a Reference Obligation, payment by or on behalf of the Issuer of an amount in respect of interest due under such Reference Obligation (including, without limitation, any deferred interest or defaulted interest) other than in respect of prepayment penalties or principal (except that the Actual Interest Amount shall include any payment of principal representing capitalized interest) paid to the holder(s) of such Reference Obligation in respect of such Reference Obligation.

Expected Interest Amount: With respect to any Reference Obligation Payment Date in respect of a Reference Obligation, the amount of current interest that would accrue during the related Reference Obligation Calculation Period calculated using the Reference Obligation Coupon on a principal balance of such Reference Obligation equal to (a) the Outstanding Principal Amount taking into account any reductions due to a principal deficiency balance or realized loss amount (howsoever described in the Underlying Instruments) that are attributable to such Reference Obligation minus (b) the Aggregate Implied Writedown Amount (if any) and that will be payable on the related Reference Obligation Payment Date assuming for this purpose that sufficient funds are available therefor in accordance with the Underlying Instruments. Except as provided in (a) in the previous sentence, the Expected Interest Amount in respect of a Reference Obligation shall be determined without regard to the effect of any limited recourse provisions (however described) of the Underlying Instruments that permit the limitation of due payments or distributions of funds pursuant to an available funds cap or otherwise, that provide for the capitalization or deferral of interest on such Reference Obligation, or that provide for the extinguishing or reduction of such payments or distributions (but, for the avoidance of doubt, taking account of any Writedown within paragraph (i) of the definition of “Writedown” occurring in accordance

with the terms of the relevant Underlying Instruments).

Interest Shortfall: With respect to any Reference Obligation Payment Date in respect of a Reference Obligation, either (a) the non-payment of an Expected Interest Amount or (b) the payment of an Actual Interest Amount that is less than the Expected Interest Amount.

For the avoidance of doubt, the occurrence of an event within (a) or (b) shall be determined taking into account any payment made under the relevant Reference Policy, if applicable.

Interest Shortfall Amount: With respect to any Reference Obligation Payment Date in respect of a Reference Obligation, an amount equal to the greater of:

- (a) zero; and
- (b) the amount equal to the product of:
  - (i) (A) the Expected Interest Amount;  
minus  
(B) the Actual Interest Amount; and
  - (ii) the Applicable Percentage;

provided that, with respect to the first Reference Obligation Payment Date in respect of such Reference Obligation, the Interest Shortfall Amount shall be the amount determined in accordance with (a) and (b) above multiplied by a fraction equal to:

- (x) the number of days in the first Fixed Rate Payer Calculation Period with respect to such Reference Obligation; over
- (y) the number of days in the first Reference Obligation Calculation Period with respect to such Reference Obligation.

Interest Shortfall Reimbursement: With respect to any Reference Obligation Payment Date for a Reference Obligation, the payment by or on behalf of the Issuer of an Actual Interest Amount in respect of such Reference Obligation (including, for the avoidance of doubt, any payment of principal representing capitalized interest) that is greater than the Expected Interest Amount.

Interest Shortfall With respect to any Reference Obligation Payment Date in

Reimbursement Amount:                    respect of a Reference Obligation, the product of (a) the amount of any Interest Shortfall Reimbursement on such day and (b) the Applicable Percentage.

Interest Shortfall  
Reimbursement Payment                    The amount determined pursuant to the Interest Shortfall  
Amount:    Cap Annex.

## **5. Additional Provisions:**

### **(a) Calculation Agent and Buyer and Seller Determinations**

The Calculation Agent shall be responsible for determining and calculating, for each Reference Obligation, (i) the Fixed Amount payable on each Fixed Rate Payer Payment Date; (ii) the occurrence of a Floating Amount Event and the related Floating Amount and (iii) the occurrence of an Additional Fixed Payment Event and the related Additional Fixed Amount; provided that notwithstanding the above, each of Buyer and Seller shall be entitled to determine and calculate the above amounts to the extent that Buyer or Seller, as applicable, has the right to deliver a notice to the other party demanding payment of such amount. The Calculation Agent or Buyer or Seller, as applicable, shall make such determinations and calculations based solely on composite data compiled and published by the Index Publisher from applicable Servicer Reports (“Composite Data”) or, if such Composite Data is not available, from applicable Servicer Reports, to the extent such Servicer Reports are reasonably available to the Calculation Agent or such party. The Calculation Agent, Buyer or Seller may rely on calculations or determinations published by the Index Publisher in making such determinations and calculations. The Calculation Agent or Buyer or Seller, as applicable, shall, as soon as practicable after making any of the determinations or calculations specified in (i) and (ii) above, notify the parties or the other party, as applicable, of such determinations and calculations.

### **(b) Adjustment of Calculation Agent Determinations**

To the extent that a Servicer furnishes any Servicer Reports correcting information contained in previously issued Servicer Reports or the Index Publisher corrects any previously published Composite Data (or other relevant calculation or determination published by the Index Publisher), and such corrections impact calculations or determinations pursuant to a Component Transaction, the calculations or determinations relevant to such Component Transaction shall be adjusted retroactively by the Calculation Agent to reflect the corrected information (provided that, for the avoidance of doubt, no amounts in respect of interest shall be payable by either party and provided that the Calculation Agent in performing the calculations or determinations pursuant to this paragraph will assume that no interest has accrued on any adjusted amount), and the Calculation Agent shall promptly notify both parties of any corrected payments required by either party. Any required corrected payments shall be made on the second Fixed Rate Payer Payment Date following the day on which such notification by the Calculation Agent is effective.

## **6. Additional Definitions and Amendments to the Credit Derivatives Definitions**

### **(a) References in Section 9.1(a) of the Credit Derivatives Definitions as well as Section 3(a)(iv) of the form of Novation Agreement set forth in Exhibit E to the Credit Derivatives Definitions to the Reference Entity shall be deemed to be references to each Reference Entity and the Insurer in respect of the relevant Reference Policy, if applicable.**

- (b) For the purposes of each Component Transaction, the following terms have the meanings given below:

“Actual Principal Amount” means, with respect to a Reference Obligation and the Final Amortization Date or the Legal Final Maturity Date, payment on such day by or on behalf of the relevant Issuer of an amount in respect of principal (excluding any capitalized interest) to the holder(s) of such Reference Obligation in respect of such Reference Obligation.

“Aggregate Implied Writedown Amount” means, with respect to a Reference Obligation, the greater of (i) zero and (ii) the aggregate of all Implied Writedown Amounts minus the aggregate of all Implied Writedown Reimbursement Amounts.

“Current Period Implied Writedown Amount” means, with respect to a Reference Obligation in respect of a Reference Obligation Calculation Period, an amount determined as of the last day of such Reference Obligation Calculation Period equal to the greater of:

- (i) zero; and
- (ii) the product of:
  - (A) the Implied Writedown Percentage; and
  - (B) the greater of:
    - (1) zero; and
    - (2) the Pari Passu Amount plus the Senior Amount minus the aggregate outstanding asset pool balance backing the payment obligations on such Reference Obligation (all such outstanding asset pool balances as obtained by the Calculation Agent from the most recent Composite Data or from the Servicer Report for such Reference Obligation available as of such day), calculated based on the face amount of the assets in such pool, whether or not any such asset is performing.

“Effective Maturity Date” means, with respect to a Reference Obligation, the earlier of (a) the Component Transaction Scheduled Termination Date and (b) the Final Amortization Date.

“Expected Principal Amount” means, with respect to a Reference Obligation and the Final Amortization Date or the Legal Final Maturity Date, an amount equal to (i) the Outstanding Principal Amount of such Reference Obligation payable on such day assuming for this purpose that sufficient funds are available for such payment, where such amount shall be determined in accordance with the Underlying Instruments, minus (ii) the sum of (A) the Aggregate Implied Writedown Amount (if any) and (B) the net aggregate principal deficiency balance or realized loss amounts (however described in the Underlying Instruments) that are attributable to such Reference Obligation. The Expected Principal Amount shall be determined without regard to the effect of any limited recourse provisions (however described) of the Underlying Instruments that permit the limitation of due payments or distributions of funds in accordance with the terms of such Reference Obligation or that provide for the extinguishing or reduction of such payments or distributions.

“Failure to Pay Principal” means, with respect to a Reference Obligation, (i) a failure by the relevant Reference Entity (or any Insurer thereof) to pay an Expected Principal Amount on the Final Amortization Date or the Legal Final Maturity Date, as the case may be or (ii) payment on any such day of an Actual Principal Amount that is less than the Expected Principal Amount; provided that the failure by such Reference Entity (or any Insurer thereof) to pay any such amount in respect of principal in accordance with the foregoing shall not constitute a Failure to Pay Principal if such failure has been remedied within any grace period applicable to such payment obligation under the Underlying Instruments or, if no such grace period is applicable, within three Business Days after the day on which the Expected Principal Amount was scheduled to be paid.

“Final Amortization Date” means, with respect to a Reference Obligation, the first to occur of (i) the date on which the Reference Obligation Notional Amount is reduced to zero and (ii) the date on which the assets backing the Reference Obligation or designated to fund amounts due in respect of the Reference Obligation are liquidated, distributed or otherwise disposed of in full and the proceeds thereof are distributed or otherwise disposed of in full.

“Implied Writedown Amount” means, with respect to a Reference Obligation, (i) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) of the definition of “Writedown” to occur in respect of the Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Calculation Agent equal to the excess, if any, of the Current Period Implied Writedown Amount over the Previous Period Implied Writedown Amount, in each case in respect of the Reference Obligation Calculation Period to which such Reference Obligation Payment Date relates, and (ii) in any other case, zero.

“Implied Writedown Percentage” means, with respect to a Reference Obligation, (i) the Outstanding Principal Amount divided by (ii) the Pari Passu Amount.

“Implied Writedown Reimbursement Amount” means, with respect to a Reference Obligation, (i) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) of the definition of “Writedown” to occur in respect of the Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Calculation Agent equal to the excess, if any, of the Previous Period Implied Writedown Amount for the Reference Obligation over the Current Period Implied Writedown Amount for the Reference Obligation, in each case in respect of the Reference Obligation Calculation Period to which such Reference Obligation Payment Date relates, and (ii) in any other case, zero.

“Insurer” means, with respect to a Reference Obligation, the insurer of such Reference Obligation specified in the Relevant Annex.

“Issuer” means, with respect to a Reference Obligation, the issuer of such Reference Obligation specified in the Relevant Annex.

“Legal Final Maturity Date” means, with respect to a Reference Obligation, the date set out in the Relevant Annex for such Reference Obligation (subject, for the avoidance of doubt, to any business day convention applicable to the legal final maturity date of such Reference Obligation), provided that if the legal final maturity date of such Reference Obligation is amended, the Legal Final Maturity Date shall be such date as amended.

“Original Principal Amount” means, with respect to a Reference Obligation, the amount specified as such in the Relevant Annex.

“Outstanding Principal Amount” means, with respect to a Reference Obligation as of any date of determination, the outstanding principal balance of such Reference Obligation as of such date, which shall take into account:

- (i) all payments of principal;
- (ii) all writedowns or applied losses (however described in the Underlying Instruments) resulting in a reduction in the outstanding principal balance of such Reference Obligation (other than as a result of a scheduled or unscheduled payment of principal);
- (iii) forgiveness of any amount by the holders of such Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the outstanding principal balance of such Reference Obligation;
- (iv) any payments reducing the amount of any reductions described in (ii) and (iii) of this definition; and
- (v) any increase in the outstanding principal balance of such Reference Obligation that reflects a reversal of any prior reductions described in (ii) and (iii) of this definition).

“Pari Passu Amount” means, with respect to a Reference Obligation as of any date of determination, the aggregate of the Outstanding Principal Amount of the Reference Obligation and the aggregate outstanding principal balance of all obligations of the relevant Reference Entity backed by the relevant Underlying Assets and ranking *pari passu* in priority with such Reference Obligation.

“Previous Period Implied Writedown Amount” means, with respect to a Reference Obligation in respect of a Reference Obligation Calculation Period, the Current Period Implied Writedown Amount as determined in relation to the last day of the immediately preceding Reference Obligation Calculation Period for such Reference Obligation.

“Principal Payment” means, with respect to a Reference Obligation and any Reference Obligation Payment Date, the occurrence of a payment of an amount to the holders of such Reference Obligation in respect of principal (scheduled or unscheduled) in respect of such Reference Obligation other than a payment in respect of principal representing capitalized interest, excluding, for the avoidance of doubt, any relevant Writedown Reimbursement or Interest Shortfall Reimbursement.

“Principal Payment Amount” means, with respect to any Reference Obligation Payment Date for a Reference Obligation, an amount equal to the product of (i) the amount of any Principal Payment on such date and (ii) the Applicable Percentage.

“Principal Shortfall Amount” means, with respect to a Reference Obligation, in respect of a Failure to Pay Principal, an amount equal to the greater of:

- (i) zero; and
- (ii) the amount equal to the product of:



- (A) the Expected Principal Amount minus the relevant Actual Principal Amount; and
- (B) the Applicable Percentage;

If the Principal Shortfall Amount in respect of a Reference Obligation would be greater than the Reference Obligation Notional Amount immediately prior to the occurrence of such Failure to Pay Principal, then such Principal Shortfall Amount shall be deemed to be equal to the Reference Obligation Notional Amount at such time.

“Principal Shortfall Reimbursement” means, with respect to a Reference Obligation on any day, the payment by or on behalf of the relevant Issuer of an amount in respect of such Reference Obligation in or toward the satisfaction of any deferral of or failure to pay principal arising from one or more prior occurrences of a Failure to Pay Principal.

“Principal Shortfall Reimbursement Amount” means, with respect to a Reference Obligation on any day, the product of (i) the amount of any relevant Principal Shortfall Reimbursement on such day and (ii) the relevant Applicable Percentage.

“Principal Shortfall Reimbursement Payment Amount” means, with respect to a Reference Obligation and an Additional Fixed Amount Payment Date, the sum of the Principal Shortfall Reimbursement Amounts in respect of all Principal Shortfall Reimbursements (if any) made during the Reference Obligation Calculation Period relating to such Additional Fixed Amount Payment Date (or, in the case of an Additional Fixed Amount Payment Date after the final Fixed Rate Payer Payment Date, made on the related Reference Obligation Payment Date), provided that the aggregate of all such Principal Shortfall Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts (determined without regard to the Effective Date) in respect of occurrences of Failure to Pay Principal prior to such Additional Fixed Amount Payment Date.

“Reference Obligation Calculation Period” means, with respect to a Reference Obligation and each Reference Obligation Payment Date, a period corresponding to the interest accrual period relating to such Reference Obligation Payment Date pursuant to the relevant Underlying Instruments.

“Reference Obligation Coupon” means, with respect to a Reference Obligation, the periodic interest rate applied in relation to each related Reference Obligation Calculation Period on the related Reference Obligation Payment Date, as determined in accordance with the terms of the relevant Underlying Instruments as at the Annex Date, without regard to any subsequent amendment.

“Reference Obligation Payment Date” means, with respect to a Reference Obligation, (i) each scheduled distribution date for such Reference Obligation occurring on or after the Annex Date and on or prior to the Component Transaction Scheduled Termination Date, determined in accordance with the Underlying Instruments and (ii) any day after the Effective Maturity Date on which a payment is made in respect of such Reference Obligation.

“Reference Policy” means, with respect to a Reference Obligation, the reference policy for such Reference Obligation specified in the Relevant Annex.

“Senior Amount” means, with respect to a Reference Obligation as of any day, the aggregate outstanding principal balance of all obligations of the Reference Entity backed by the Underlying Assets and ranking senior in priority to such Reference Obligation.

“Servicer” means, with respect to a Reference Obligation, any trustee, servicer, sub-servicer, master servicer, fiscal agent, paying agent or other similar entity responsible for calculating payment amounts or providing reports pursuant to the Underlying Instruments.

“Servicer Reports” means, with respect to a Reference Obligation, periodic statements or reports regarding the Reference Obligation provided by the Servicer to holders of the Reference Obligation.

“Underlying Assets” means, with respect to a Reference Obligation, the assets backing the Reference Obligation for the benefit of the holders of such Reference Obligation and which are expected to generate the cashflows required for the servicing and repayment (in whole or in part) of such Reference Obligation, or the assets to which a holder of such Reference Obligation is economically exposed where such exposure is created synthetically.

“Underlying Instruments” means, with respect to a Reference Obligation, the indenture, trust agreement, pooling and servicing agreement or other relevant agreement(s) setting forth the terms of the Reference Obligation.

“Writedown” means, with respect to a Reference Obligation, the occurrence at any time on or after the Annex Date of:

- (i) (A) a writedown or applied loss (however described in the Underlying Instruments) resulting in a reduction in the Outstanding Principal Amount of such Reference Obligation (other than as a result of a scheduled or unscheduled payment of principal); or
- (B) the attribution of a principal deficiency or realized loss (howsoever described in the Underlying Instruments) to such Reference Obligation resulting in a reduction of the current interest payable on such Reference Obligation;
- (ii) the forgiveness of any amount of principal by the holders of such Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the Outstanding Principal Amount; or
- (iii) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) above to occur in respect of such Reference Obligation, an Implied Writedown Amount being determined in respect of such Reference Obligation by the Calculation Agent.

“Writedown Amount” means, with respect to a Reference Obligation on any day, the product of (i) the amount of any Writedown with respect to such Reference Obligation on such day and (ii) the Applicable Percentage.

“Writedown Reimbursement” means, with respect to a Reference Obligation on any day, the occurrence of either:

- (i) a payment by or on behalf of the Issuer of an amount in respect of such Reference Obligation in reduction of any prior Writedowns;
- (ii) (A) an increase by or on behalf of the Issuer of the Outstanding Principal Amount of such Reference Obligation to reflect the reversal of any prior Writedowns; or
  - (B) a decrease in the principal deficiency balance or realized loss amounts (howsoever described in the Underlying Instruments) attributable to such Reference Obligation; or
- (iii) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (ii) above to occur in respect of such Reference Obligation, an Implied Writedown Reimbursement Amount being determined in respect of such Reference Obligation by the Calculation Agent.

“Writedown Reimbursement Amount” means, with respect to a Reference Obligation on any day, an amount equal to the product of:

- (i) the sum of all Writedown Reimbursements with respect to such Reference Obligation on that day; and
- (ii) the Applicable Percentage;

“Writedown Reimbursement Payment Amount” means, with respect to a Reference Obligation and an Additional Fixed Amount Payment Date, the sum of the Writedown Reimbursement Amounts in respect of all Writedown Reimbursements (if any) during the Reference Obligation Calculation Period relating to such Additional Fixed Amount Payment Date (or, in the case of an Additional Fixed Amount Payment Date after the final Fixed Rate Payer Payment Date, on the related Reference Obligation Payment Date or date of determination of an Implied Writedown Reimbursement Amount, as the case may be), provided that the aggregate of all such Writedown Reimbursement Payment Amounts at any time shall not exceed the aggregate of all Floating Amounts with respect to such Reference Obligation (determined without regard to the Effective Date) in respect of Writedowns occurring prior to such Additional Fixed Amount Payment Date.

## **7. Transfer and Termination of Component Transactions**

Without prejudice to Section 7 of the Master Agreement specified in the relevant Confirmation, the Component Transactions (or any part thereof) to which these ABX Standard Terms relate may only be transferred (by way of assignment, novation or otherwise) or terminated prior to the Component Transaction Scheduled Termination Date thereof (other than in accordance with the terms hereof) together with an equal part (by Initial Face Amount) of each other Component Transaction forming part of the Master Transaction of which it forms a part.

## **8. U.S. Federal Income Tax**

Each party agrees to treat the Master Transaction and each Component Transaction for U.S. federal income tax purposes as a “notional principal contract” within the meaning of U.S. Treasury Regulations Section 1.446-3(c) and to take all actions consistent with such treatment unless there is a change in law or interpretation thereof that is inconsistent with such treatment or any action is taken by a taxing authority against such party in which the taxing authority has asserted a different treatment.

## 9. Disclaimers

- (a) CDX™ is a service mark of the Index Sponsor and has been licensed for use in connection with the Master Transaction.
- (b) The Index referenced herein is the property of the Index Sponsor and has been licensed for use in connection with the transaction hereunder. Each party acknowledges and agrees that the transaction hereunder is not sponsored, endorsed, or promoted by the Index Sponsor or any members of the Index Sponsor (the Index Sponsor, together with its members, the “Index Parties”). The Index Parties make no representation whatsoever, whether express or implied, and hereby expressly disclaim all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to the Index or any data included therein or relating thereto, and in particular disclaim any warranty either as to the quality, accuracy and/or completeness of the Index or any data included therein, the results obtained from the use of the Index and/or the composition of the Index at any particular time on any particular date or otherwise and/or the creditworthiness of any entity, or the likelihood of the occurrence of a Floating Amount Event with respect to an obligation, in the Index at any particular time on any particular date or otherwise. The Index Parties shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in the Index, and the Index Parties are under no obligation to advise the parties or any person of any error therein. The Index Parties make no representation whatsoever, whether express or implied, as to the advisability of entering into the transaction hereunder, the ability of the Index to track relevant markets’ performances, or otherwise relating to the Index or any transaction or product with respect thereto, or of assuming any risks in connection therewith. The Index Parties have no obligation to take the needs of any party into consideration in determining, composing or calculating the Index. Neither party to this transaction, nor any Index Party, shall have any liability to any party for any act or failure to act by the Index Parties in connection with the determination, adjustment, calculation or maintenance of the Index. Although the Calculation Agent will obtain information concerning the Index from sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made, and no responsibility is accepted by either party, its Affiliates or the Calculation Agent, as to the accuracy, completeness or timeliness of information concerning the Index. Each party acknowledges that the other party or one of its affiliates may be, or may be affiliated with, an Index Party and, as such, may be able to affect or influence the determination, adjustment or maintenance of the Index. For purposes of Sections 9.1(b)(iii) and (iv) of the Credit Derivatives Definitions, references to “each party” therein shall be deemed to include each Index Party.
- (c) Without limitation of Section 9.1(b)(iv) of the Credit Derivatives Definitions (as modified above), each party acknowledges that the other party or its Affiliates or the Calculation Agent may act from time to time as an originator, sponsor, servicer, administrator, trustee, underwriter or market maker, or otherwise act in a capacity as a result of which such party or its Affiliates may be in possession of information in relation to one or more Reference Obligations or Reference Entities contained in the Index which may be material in the context of one or more Component Transactions and that may or may not be publicly available or known to the other party. No furnishing by a party or its Affiliates or the Calculation Agent of any notice, report, or other information with respect to any Reference Obligation or any Reference Entity (“Reference Obligation Information”) shall prejudice the foregoing provision or Section 9.1(b)(iv) of the Credit Derivatives Definitions, constitute a representation or warranty as to the correctness or completeness of such Reference Obligation Information, give rise to any duty to supplement, update or revise the Reference Obligation Information so provided, or otherwise result in such

party or the Calculation Agent having any responsibility for the content of such Reference Obligation Information.

## Interest Shortfall Cap Annex

Interest Shortfall Cap Amount: The Interest Shortfall Cap Amount in respect of an Interest Shortfall for a Reference Obligation shall be the Fixed Amount calculated in respect of the Fixed Rate Payer Payment Date immediately following the Reference Obligation Payment Date on which the relevant Interest Shortfall occurred.

Interest Shortfall Reimbursement Payment Amount: The first Additional Fixed Amount Payment Date for a Reference Obligation, zero, and with respect to any subsequent Additional Fixed Amount Payment Date for such Reference Obligation and calculated as of the Reference Obligation Payment Date immediately preceding such Additional Fixed Amount Payment Date, as specified by the Calculation Agent in its notice to the parties or by Seller in its notice to Buyer of the existence of an Interest Shortfall Reimbursement for such Reference Obligation, an amount equal to the greater of:

- (a) zero; and
- (b) the amount equal to:
  - (i) the product of:
    - (A) the Cumulative Interest Shortfall Payment Amount as of the Additional Fixed Amount Payment Date immediately preceding such Reference Obligation Payment Date; and
    - (B) the relevant Cumulative Interest Shortfall Payment Compounding Factor for the Fixed Rate Payer Calculation Period immediately preceding such Additional Fixed Amount Payment Date (or 1.0 in respect of any Additional Fixed Amount Payment Date occurring after the final Fixed Rate Payer Payment Date for such Reference Obligation);
  - minus
  - (ii) the Cumulative Interest Shortfall Amount as of such Reference Obligation Payment Date;

provided that if the Interest Shortfall Reimbursement Payment Amount on an Additional Fixed Amount Payment Date for such Reference Obligation would exceed the Interest Shortfall Reimbursement Amount in respect of the related Reference Obligation Payment Date, then such Interest Shortfall Reimbursement Payment Amount shall be deemed to be equal to such Interest Shortfall Reimbursement Amount.

Cumulative Interest Shortfall Amount:

With respect to any Reference Obligation Payment Date for a Reference Obligation, an amount equal to the greater of:

- (a) zero; and
- (b) an amount equal to:
  - (i) the Cumulative Interest Shortfall Amount as of the Reference Obligation Payment Date for such Reference Obligation immediately preceding such Reference Obligation Payment Date or, in the case of the first Reference Obligation Payment Date, zero; plus
  - (ii) the Interest Shortfall Amount (if any) in respect of such Reference Obligation Payment Date; plus
  - (iii) an amount determined by the Calculation Agent as the amount of interest that would accrue on the Cumulative Interest Shortfall Amount immediately preceding such Reference Obligation Payment Date during the related Reference Obligation Calculation Period pursuant to the Underlying Instruments or, in the case of the first Reference Obligation Payment Date, zero; minus
  - (iv) the Interest Shortfall Reimbursement Amount (if any) in respect of such Reference Obligation Payment Date for such Reference Obligation.

Cumulative Interest Shortfall Payment Amount:

With respect to any Fixed Rate Payer Payment Date and any Additional Fixed Amount Payment Date falling on such date, an amount equal to the greater of:

- (a) zero; and

- (b) the amount equal to:
  - (i) the sum of:
    - (A) the Interest Shortfall Payment Amount for the Reference Obligation Payment Date corresponding to such Fixed Rate Payer Payment Date; and
    - (B) the product of:
      - (1) the Cumulative Interest Shortfall Payment Amount as of the Fixed Rate Payer Payment Date immediately preceding such Fixed Rate Payer Payment Date (or zero in the case of the first Fixed Rate Payer Payment Date); and
      - (2) the relevant Cumulative Interest Shortfall Payment Compounding Factor;
  - minus
  - (ii) any Interest Shortfall Reimbursement Payment Amount paid on such Fixed Rate Payer Payment Date.

With respect to any Additional Fixed Amount Payment Date falling after the final Fixed Rate Payer Payment Date, the Cumulative Interest Shortfall Payment Amount shall be equal to:

- (x) the Cumulative Interest Shortfall Payment Amount as of the Additional Fixed Amount Payment Date immediately preceding such Additional Fixed Amount Payment Date (or as of the final Fixed Rate Payer Payment Date in the case of the first Additional Fixed Amount Payment Date occurring after the final Fixed Rate Payer Payment Date); minus
- (y) any Interest Shortfall Reimbursement Payment Amount paid on such Additional Fixed Amount Payment Date.



Cumulative Interest Shortfall Payment Compounding Factor: With respect to any Fixed Rate Payer Calculation Period in respect of a Reference Obligation, an amount equal to the sum of:

- (a) 1.0;
- plus
- (b) the product of:
  - (i) the sum of (A) the Relevant Rate in respect of such Reference Obligation plus (B) the relevant Fixed Rate; and
  - (ii) the actual number of days in such Fixed Rate Payer Calculation Period divided by 360;

provided, however, that the Cumulative Interest Shortfall Payment Compounding Factor shall be deemed to be 1.0 during the period from but excluding the Effective Maturity Date to and including the Termination Date.

Relevant Rate: With respect to a Fixed Rate Payer Calculation Period in respect of a Reference Obligation, the relevant Floating Rate, expressed as a decimal number with seven decimal places, that would be determined if:

- (a) the 2000 ISDA Definitions (and not the 2003 ISDA Credit Derivatives Definitions) applied to this paragraph;
- (b) the Fixed Rate Payer Calculation Period were a "Calculation Period" for purposes of such determination; and
- (c) the following terms applied:
  - (i) the Floating Rate Option were the Rate Source;
  - (ii) the Designated Maturity were the period that corresponds to the usual length of a Fixed Rate Payer Calculation Period; and
  - (iii) the Reset Date were the first day of the Calculation Period;

provided, however, that the Relevant Rate shall be deemed to be zero during the period from but excluding the relevant Effective Maturity Date to and including the relevant Termination Date.

Rate Source: USD-LIBOR-BBA